

Message Text

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PAGE 01 VIENTI 06736 300714Z

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ACTION EA-14

INFO OCT-01 ISO-00 SS-15 PM-07 SPC-03 NSC-10 CIAE-00

INR-10 NSAE-00 RSC-01 TRSE-00 L-03 H-03 AID-20 IGA-02

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F. TOAID A-398

1. WE UNDERSTAND CONCERNS RAISED DURING SECURITY
ASSISTANCE PROGRAM REVIEW OF FY-75 LAOS MILITARY
ASSISTANCE PROGRAM. BELIEVE FOLLOWING WILL HELP CLARIFY
SOME MISUNDERSTANDINGS AND SHOW RELATIONSHIP BETWEEN
REFS B. AND F.

2. BASED ON DEPARTMENT AND SECDEF GUIDANCE (REFS C.
AND D), WE MADE TWO FUNDAMENTAL AND RELATED ASSUMPTIONS
IN PREPARING REF B. FIRST, FUNDING OF U.S. MILITARY
ASSISTANCE WOULD SWITCH FROM MASF TO MAP. SECOND,
ECONOMIC ASSISTANCE PROGRAM WOULD HAVE TO BE INCREASED
TO COMPENSATE FOR LOSS OF MASF INPUTS, WHICH INCLUDED
COST SHARING OF USAID REFUGEE AND MEDICAL PROGRAMS AND
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SECRET

PAGE 02 VIENTI 06736 300714Z

FOREIGN EXCHANGE TO PURCHASE KIP FOR SUPPORT OF DEMOBILIZED

LIF. SOME OF OTHER PROBLEMS ARISING FROM SWITCH FROM MASF TO MAP FUNDING WERE DESCRIBED IN PARAS 10(A), (B) AND (C) OF REF. B.

3. MISSION RATIONALE FOR SUPPORTING 50,000-MAN FORCE THROUGH FY-75 CONTAINED REF B, PARA 2. FAR LEADERSHIP HAS TOLD US INFORMALLY THAT PLANS ARE BEING MADE TO CUT FORCES BY AT LEAST 20,000 BEGINNING IN JANUARY, WHICH WOULD LOWER FORCE LEVEL FROM 80,000 TO 60,000. WE HAVE TOLD FAR THAT FORCE LEVEL WILL BE SUPPORTED AT 50,000 AT BEGINNING FY-75 AND MISSION PROGRAM WILL BE BASED ON 50,000 FORCE THROUGH FY-75. GIVEN PAUCITY OF RLG PLANNING AND PREPARATION FOR DEMOBILIZATION (SEE P.P. 12-13 OF REF F), CUTS OF GREATER MAGNITUDE (SUGGESTED IN SECDEF PROPOSAL TO GO TO 30,000 BY END OF FY-75) WOULD HAVE MAJOR POLITICAL, MILITARY AND ECONOMIC IMPACT. WE ESTIMATE INCREASED COSTS OF \$2.1 MILLION UNDER MAP TO SUPPORT FORCE STRUCTURE OF 50,000 VICE 30,000 AT END OF FY-75. THIS ESTIMATE BASED ON FACT THAT SUFFICIENT EQUIPMENT ON HAND FOR IMMEDIATE NEEDS OF A 50,000-MAN FORCE THROUGH FY-75, WITH NO PLANS FOR NEW OR SOPHISTICATED WEAPONS.

4. WE DID NOT ASSUME IN REF B. A DIRECT SHIFT OF ANY FUNDS FROM MASF, MAP, OR USAID PROGRAM TO RLG NATIONAL BUDGET IN FY-75. LAO BUDGET SUPPORTS SALARIES FOR A 51,000-MAN FORCE IN FY-74 (SEE TABLE I, ANNEX B, REF F) AND PROPOSED POST-DEMOBILIZATION FORCE OF 50,000 IN FY-75 WOULD BE WITHIN PREVAILING BUDGETARY FORECASTS. HOWEVER, MAINTAINING THIS FORCE DOES HAVE WELL-KNOWN IMPLICATIONS FOR CONTINUED ECONOMIC STABILIZATION PROGRAM SINCE IT SERIOUSLY AFFECTS LAO BUDGET EXPENDITURES AND RESULTS IN PERENNIAL LARGE BUDGET DEFICIT. STABILIZATION REQUIREMENTS, INCLUDING ABOVE ASSUMPTION ON FY-75 FORCE LEVEL, ARE DISCUSSED IN TABLES 1, 2 AND 4, ANNEX B OF REF F.

5. THE MILITARY ASSISTANCE PROGRAM OF \$73 MILLION PROPOSED IN REF B INCLUDED \$2 MILLION IN SUBSISTENCE IN SUPPORT OF ALL 50,000 FLGAF IN FY-75. HOWEVER, IN
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SECRET

PAGE 03 VIENTI 06736 300714Z

LIGHT OF CURRENT AND EXPECTED INCREASES IN PRICE OF RICE, THE \$2 MILLION SHOULD BE REVISED UPWARD TO AT LEAST \$5.5 MILLION.

6. COSTS TO SUPPORT DEMOBILIZED FORMER LIF AND THEIR DEPENDENTS HAVE BEEN CALCULATED AS PART OF FY-75 USAID REFUGEE BUDGET, AS HAVE MEDICAL EXPENSES TO SUPPORT THESE PEOPLE (CURRENTLY USAID AND DOD SHARE THESE COSTS).

7. AT PRESENT WE HAVE NO NEW INSIGHTS REGARDING PROBLEMS ASSOCIATED WITH MILITARY ASSISTANCE FOLLOWING THE SIGNING OF THE PROTOCOLS. VIENTIANE 6457 SETS FORTH THE INTERPRETATION OF THE PROTOCOL ON WHICH WE HOPE TO BASE OUR CONTINUED MILITARY ASSISTANCE PROGRAM. AS THE PROTOCOLS ARE IMPLEMENTED WE WILL REPORT ANY PROBLEMS THAT WE ANTICIPATE AND RECOMMEND SOLUTIONS. BELIEVE THIS ISSUE SHOULD BE DISCUSSED WITH MINISTER SISOUK WHEN HE VISITS DEPARTMENT.

8. FY-75 FBS (REF F) WAS BASED ON ASSUMPTIONS THAT PROGRAM WILL BE CHANGED TO MAP FROM MASF AND THAT ECONOMIC ASSISTANCE PROGRAM WOULD HAVE TO BE INCREASED IF OUR ASSUMPTIONS ARE CORRECT NO CHANGE IS CALLED FOR IN FBS, SINCE FY-75 MILITARY ASSISTANCE PROPOSAL AND FY-75 ECONOMIC ASSISTANCE PROGRAM ARE CONSISTENT. HOWEVER, IF FY-75 MILITARY ASSISTANCE PROGRAM CONTINUES TO BE MASF-FUNDED AND CONTAINS SAME MAGNITUDE OF SUPPORT FOR LAO MILITARY (FAR/FAN SUBSISTENCE, SALARY AND SUBSISTENCE SUPPORT -- INCLUDING TRANSPORT -- FOR DEMOBILIZED LIF AND THEIR DEPENDENTS, SHARING OF MEDICAL COSTS AND DELIVERY), ECONOMIC ASSISTANCE PROPOSALS FOR FY-75 WOULD BE REDUCED BY ROUGHLY \$10 MILLION,

9. AS ADDRESSES ARE AWARE, MISSION CONTINUES TO BELIEVE THAT EVERY EFFORT WHOULD BE MADE TO MAINTAIN MASF FUNDING FOR MILITARY ASSISTANCE TO LAOS.
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